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**ZTE CORPORATION**  
**中興通訊股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 763)**

**2015 INTERIM REPORT SUMMARY AND RESULTS ANNOUNCEMENT**

**1. IMPORTANT**

1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation (“ZTE” or the “Company” ) confirm that the 2015 interim report (the “Interim Report”) does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of the contents of the Interim Report.

The Interim Report containing all information required to be presented in interim reports in accordance with Appendix 16 to the Rules (the “Hong Kong Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) will be posted on the website of the Hong Kong Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company’s website ([www.zte.com.cn](http://www.zte.com.cn)) in due course.

1.2 There are no Directors, Supervisors or senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of the Interim Report.

1.3 The Interim Report has been considered and approved at the Thirtieth Meeting of the Sixth Session of the Board of Directors of the Company. Mr. Zhang Jianheng, Vice Chairman, was unable to attend the Meeting due to work reasons and has authorised Mr. Wang Zhanchen, Director, to vote on his behalf. Mr. Dong Lianbo, Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Xie Weiliang, Vice Chairman, to vote on his behalf. Mr. Lü Hongbing, Independent Non-executive Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Tan Zhenhui, Independent Non-executive Director, to vote on his behalf.

1.4 The interim financial reports of ZTE and one or more of its subsidiaries (the “Group”) for the six months ended 30 June 2015 were unaudited.

1.5 Mr. Hou Weigui, Chairman of the Company, Mr. Wei Zaisheng, Chief Financial Officer of the Company and Mr. Shi Chunmao, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial reports contained in the Interim Report.

1.6 No profit distribution or capitalisation of capital reserves will be implemented in respect of the interim period of 2015.

## 2. CORPORATE PROFILE

### 2.1 Corporate Information

<b>Abbreviated name of stock</b>	ZTE	
<b>Stock code</b>	000063 (A Shares)	763 (H Shares)
<b>Abbreviated name of bond (code)</b>	12中興01 (112090)	
<b>Place of listing</b>	Matured on 13 June 2015 Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
<b>Registered and office address</b>	ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China	
<b>Postal code</b>	518057	
<b>Principal place of business in Hong Kong</b>	36/F, Tower Two, Time Square 1 Matheson Street, Causeway, Hong Kong	
<b>Website</b>	<a href="http://www.zte.com.cn">http://www.zte.com.cn</a>	
<b>E-mail</b>	fengjianxiong@zte.com.cn	

### 2.2 Contact Persons and Correspondence

	<b>Authorized representatives</b>	<b>Secretary to the Board of Directors/Company Secretary</b>	<b>Securities Affairs Representatives</b>
<b>Name</b>	Shi Lirong, Feng Jianxiong	Feng Jianxiong	Xu Yulong, Cao Wei
<b>Address</b>	No. 55, Keji Road South, Shenzhen, Guangdong Province, the People's Republic of China		
<b>Tel</b>	+86 755 26770282		
<b>Fax</b>	+86 755 26770286		
<b>E-mail</b>	fengjianxiong@zte.com.cn		

### 3. HIGHLIGHTS OF ACCOUNTING AND FINANCIAL INDICATORS

Whether the Company has made retrospective adjustments to or restated accounting data of the previous year because of changes in accounting policies or for the rectification of accounting errors

Yes  No

#### 3.1 Major Accounting Data and Financial Indicators of the Group prepared in accordance with PRC ASBEs

*Unit: RMB in thousands*

Item	End of the reporting period (30 June 2015)	End of last year (31 December 2014)	Change as at the end of the reporting period compared with the end of last year
Total assets	113,143,588	106,214,196	6.52%
Owner's equity attributable to holders of ordinary shares of the listed company <i>Note 1</i>	26,729,220	24,878,574	7.44%
Share capital (thousand shares)	3,437,541	3,437,541	—
Net asset per share attributable to holders of ordinary shares of the listed company ( <i>RMB/share</i> ) <i>Note 1</i>	7.78	7.24	7.46%
Gearing ratio (%)	68.04%	75.25%	Decreased by 7.21 percentage points

Unit: RMB in thousands

Item	Reporting period (Six months ended 30 June 2015)	Same period of last year (Six months ended 30 June 2014)	Changes compared with the same period of last year
Operating revenue	<b>45,898,788</b>	37,697,309	21.76%
Operating profit	<b>76,343</b>	(210,049)	136.35%
Total profit	<b>2,142,388</b>	1,643,986	30.32%
Net profit attributable to holders of ordinary shares of the listed company <sup>Note 2</sup>	<b>1,615,585</b>	1,128,206	43.20%
Net profit after extraordinary items attributable to holders of ordinary shares of the listed company <sup>Note 2</sup>	<b>938,000</b>	932,304	0.61%
Basic earnings per share (RMB/share) <sup>Note 2</sup>	<b>0.47</b>	0.33	42.42%
Diluted earnings per share (RMB/share) <sup>Note 3</sup>	<b>0.46</b>	0.33	39.39%
Basic earnings per share after extraordinary items (RMB/share) <sup>Note 2</sup>	<b>0.27</b>	0.27	—
Weighted average return on net assets (%) <sup>Note 4</sup>	<b>6.26%</b>	4.86%	Increased by 1.40 percentage points
Weighted average return on net assets after extraordinary items (%) <sup>Note 4</sup>	<b>3.64%</b>	4.02%	Decreased by 0.38 percentage points
Net cash flows from operating activities	<b>1,507,886</b>	715,309	110.80%
Net cash flows from operating activities per share (RMB/share)	<b>0.44</b>	0.21	109.52%

- Note 1:* The Company completed the issue of 2015 Tranche I Perpetual Medium Term Notes for an amount of RMB6 billion on 27 January 2015 and the issue of 2015 Tranche II Perpetual Medium Term Notes for an amount of RMB1.5 billion on 6 February 2015, which were presented under “Other equity instruments” under “Shareholders’ equity” in the balance sheet in the Interim Report. Owners’ equity attributable to holders of ordinary shares of the listed company as at 30 June 2015 has been stated after deducting equity of RMB7,415,500,000 and accruable interests of RMB180,753,000 attributable to holders of perpetual medium term notes. Net asset per share attributable to holders of ordinary shares of the listed company has been arrived at by dividing the owners’ equity attributable to holders of ordinary shares of the listed company by the number of ordinary shares in issue at the end of the period;
- Note 2:* Net profit attributable to holders of ordinary shares of the listed company and net profit after extraordinary items attributable to holders of ordinary shares of the listed company for the six months ended 30 June 2015 have been stated after deducting accruable interests of RMB180,753,000 attributable to holders of perpetual medium term notes. Basic earnings per share and basic earnings per share after extraordinary items have been arrived at by dividing net profit attributable to holders of ordinary shares of the listed company and net profit after extraordinary items attributable to holders of ordinary shares of the listed company, respectively, by the weighted average number of ordinary shares in issue;
- Note 3:* As share options granted by the Company have given rise to 44,768,000 potentially dilutive ordinary shares for the reporting period, diluted earnings per share for the reporting period has been calculated on the basis of basic earnings per share taking into account the said factor. As there was no diluting effect under the Share Option Incentive Scheme of the Company for the same period last year, diluted earnings per share was the same as basic earnings per share for the same period last year;
- Note 4:* Weighted average return on net assets and weighted average return on net assets after extraordinary items for the six months ended 30 June 2015 have been arrived at by dividing net profit attributable to holders of ordinary shares of the listed company and net profit after extraordinary items attributable to holders of ordinary shares of the listed company, respectively, by weighted average net assets after deducting equity of RMB7,415,500,000 and accruable interests of RMB180,753,000 attributable to holders of perpetual medium term notes.

### 3.2 Extraordinary gains or losses items and amounts of the Group prepared in accordance with PRC ASBEs

*Unit: RMB in thousands*

<b>Extraordinary item</b>	<b>Amount</b>
Non-operating income	476,016
Gains/(Losses) from fair value change	9,956
Investment income	376,355
Less: Gains/(Losses) on disposal of non-current assets	16,044
Less: Other non-operating expenses	49,123
Less: Effect of income tax	119,575
<b>Total</b>	<b>677,585</b>

### 3.3 Major financial indicators of the Group prepared in accordance with HKFRSs

Item	Six months ended 30 June 2015	Six months ended 30 June 2014
	Basic earnings per share ( <i>RMB/share</i> ) <i>Note 1</i>	<b>0.47</b>
Weighted average return on net assets (%) <i>Note 2</i>	<b>6.26%</b>	4.86%
Weighted average return on net assets after extraordinary items (%) <i>Note 2</i>	<b>3.64%</b>	4.02%
Item	30 June 2015	31 December 2014
Net assets per share attributable to holders of ordinary shares of the listed company ( <i>RMB/share</i> ) <i>Note 3</i>	<b>7.78</b>	7.24

*Note 1:* The Company completed the issue of 2015 Tranche I Perpetual Medium Term Notes for an amount of RMB6 billion on 27 January 2015 and the issue of 2015 Tranche II Perpetual Medium Term Notes for an amount of RMB1.5 billion on 6 February 2015, which were presented under “Perpetual capital instruments” under “Equity” in the statement of financial position. Net profit attributable to holders of ordinary shares of the listed company for the six months ended 30 June 2015 has been stated after deducting accruable interests of RMB180,753,000 attributable to holders of perpetual medium term notes. Basic earnings per share has been arrived at by dividing net profit attributable to holders of ordinary shares of the listed company by the weighted average number of ordinary shares in issue;

*Note 2:* Weighted average return on net assets and weighted average return on net assets after extraordinary items for the six months ended 30 June 2015 have been arrived at by dividing net profit attributable to holders of ordinary shares of the listed company and net profit after extraordinary items attributable to holders of ordinary shares of the listed company, respectively, by weighted average net assets after deducting equity of RMB7,415,500,000 and accruable interests of RMB180,753,000 attributable to holders of perpetual medium term notes;

*Note 3:* Owners’ equity attributable to holders of ordinary shares of the listed company as at 30 June 2015 has been stated after deducting equity of RMB7,415,500,000 and accruable interests of RMB180,753,000 attributable to holders of perpetual medium term notes. Net asset per share attributable to holders of ordinary shares of the listed company has been arrived at by dividing the owners’ equity attributable to holders of ordinary shares of the listed company by the number of ordinary shares in issue at the end of the period.

### 3.4 The amounts of net profit and shareholders’ equity of the Group for the six months ended and as at 30 June 2015 calculated in accordance with PRC ASBEs are fully consistent with those calculated under HKFRSs.

## 4. SHAREHOLDINGS OF THE SHAREHOLDERS

### 4.1 Total number of shareholders, shareholdings of top ten shareholders and top ten holders that were not subject to lock-up as at the end of the reporting period

**Total number of shareholders**

As at 30 June 2015 194,677 shareholders (of which 194,338 were holders of A shares and 339 were holders of H shares)

**Shareholdings of top ten shareholders or shareholders holding 5% or above of the shares**

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Number of shares held at the end of the reporting period (shares)	Increase/decrease during the reporting period (shares)	Number of shares held subject to lock-up (shares)	Number of shares pledged or frozen
1. Shenzhen Zhongxingxin Telecommunications Equipment Company Limited (“Zhongxingxin”)	State-owned corporation	30.78%	1,058,191,944	—	—	Nil
2. HKSCC Nominees Limited	Foreign shareholders <sup>1</sup>	18.28%	628,436,285	+101,945	—	Unknown
3. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	1.06%	36,320,008	-1,130,601	—	Unknown
4. NSSF Portfolio #103	Others	0.64%	21,999,684	+20,999,684	—	Unknown
5. New China Life Insurance Company Ltd. — Dividend — Individual Dividend-018L-FH002 Shen	Others	0.61%	20,975,368	+20,975,368	—	Unknown
6. ICBC — Harvest Cyclical Select Stock Fund	Others	0.58%	20,004,979	+20,004,979	—	Unknown
7. China Life Insurance Company Limited — Dividend — Individual Dividend-005L-FH002 Shen	Others	0.47%	16,181,362	+8,027,207	—	Unknown
8. Seventh Research Institute of China Mobile	State-owned corporation	0.46%	15,894,950	—	—	Unknown
9. CASIC Shenzhen (Group) Company Limited	State-owned corporation	0.35%	12,155,870	—	—	Unknown
10. Bank of China Limited — Harvest Contrarian Strategy Stock Fund	Others	0.35%	12,000,000	+12,000,000	—	Unknown

**Shareholdings of top ten holders of shares that were not subject to lock-up**

Name of shareholders	Number of shares not subject to lock-up (shares)	Class of shares
1. Zhongxingxin	1,058,191,944	A share
2. HKSCC Nominees Limited	628,436,285	H share
3. Hunan Nantian (Group) Co., Ltd.	36,320,008	A share
4. NSSF Portfolio #103	21,999,684	A share
5. New China Life Insurance Company Ltd. — Dividend — Individual Dividend-018L-FH002 Shen	20,975,368	A share
6. ICBC — Harvest Cyclical Select Stock Fund	20,004,979	A share
7. China Life Insurance Company Limited — Dividend — Individual Dividend-005L-FH002 Shen	16,181,362	A share
8. Seventh Research Institute of China Mobile	15,894,950	A share
9. CASIC Shenzhen (Group) Company Limited	12,155,870	A share
10. Bank of China Limited — Harvest Contrarian Strategy Stock Fund	12,000,000	A share

Descriptions of any connected party relationships or concerted party relationships among the above shareholders	<ol style="list-style-type: none"> <li>Zhongxingxin was a connected party (as defined under the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange), but not a concerted party, of the 9th ranking shareholder among the top ten shareholders and top ten holders of shares that were not subject to lock-up; save for the above, Zhongxingxin did not have any connected party relationships or concerted party relationships with other top ten shareholders and other top ten holders of shares that were not subject to lock-up.</li> <li>Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top ten shareholders and the top ten holders of shares that were not subject to lock-up.</li> </ol>
Description of top 10 shareholders' involvement in financing and securities lending businesses (if any)	N/A

*Note 1:* During the reporting period, there was no placing of new shares in the Company to any strategic investors or ordinary legal persons that required shareholding for a designated period.

*Note 2:* Shareholders holding 5% or above of the Company's shares — Changes in the shareholding of Zhongxingxin, controlling shareholder of the Company interested in 30.78% of the Company's shares, during the reporting period are as follows:

Name of shareholder	Increase/ decrease (+/-) of number of shares held during the reporting period <i>(shares)</i>	Number of shares held at the end of the reporting period <i>(shares)</i>	Class of shares held	Number of shares subject to lock-up held at the end of the reporting period <i>(shares)</i>	Number of shares not subject to lock-up held at the end of the reporting period <i>(shares)</i>	Number of shares pledged or frozen <i>(shares)</i>
Zhongxingxin	0	1,058,191,944	A share	0	1,058,191,944	Nil

**Whether top 10 shareholders and top 10 holders of shares that were not subject to lock-up of the Company conducted any transactions on agreed repurchases during the reporting period**

Yes  No

**The Company had no preferential shares.**

#### **4.2 Changes in controlling shareholder and de facto controller**

Applicable  N/A

During the reporting period, there was no change to the controlling shareholder of the Company. There was no de facto controller of the Company.

#### **4.3 Purchase, sale and redemption of securities**

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.



## 5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 5.1 Changes in the shareholdings of the Company's Directors, Supervisors and Senior Management

The effective shareholdings in the issued share capital of the Company held by the Directors, Supervisors and senior management of the Company at the end of the reporting period were as follows:

No.	Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the reporting period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Number of A shares held at the end of the reporting period (shares)	Reason for the change	Whether remuneration is received from shareholder entities
<b>Directors of the Company</b>													
1	Hou Weigui	Chairman	Incumbent	Male	74	3/2013	3/2016	1,297,472	—	—	1,297,472	—	No
2	Zhang Jianheng	Vice Chairman	Incumbent	Male	54	3/2013	3/2016	—	—	—	—	—	No
3	Xie Weiliang	Vice Chairman	Incumbent	Male	59	3/2013	3/2016	32,760	—	—	32,760	—	Yes
4	Wang Zhanchen	Director	Incumbent	Male	63	3/2013	3/2016	—	—	—	—	—	No
5	Zhang Junchao	Director	Incumbent	Male	62	3/2013	3/2016	32,760	—	—	32,760	—	No
6	Dong Lianbo	Director	Incumbent	Male	58	3/2013	3/2016	32,760	—	—	32,760	—	Yes
7	Shi Lirong	Director and President	Incumbent	Male	51	3/2013	3/2016	550,511	—	—	550,511	—	No
8	Yin Yimin	Director	Incumbent	Male	52	3/2013	3/2016	632,833	—	—	632,833	—	No
9	He Shiyong	Director	Incumbent	Male	49	3/2013	3/2016	344,940	—	—	344,940	—	No
10	Qu Xiaohui	Independent Non-executive Director	<i>Note 3</i>	Female	61	3/2013	7/2015	—	—	—	—	—	No
11	Wei Wei	Independent Non-executive Director	<i>Note 3</i>	Male	50	3/2013	7/2015	—	—	—	—	—	No
12	Chen Naiwei	Independent Non-executive Director	<i>Note 3</i>	Male	58	3/2013	7/2015	—	—	—	—	—	No
13	Tan Zhenhui	Independent Non-executive Director	Incumbent	Male	71	3/2013	3/2016	—	—	—	—	—	No
14	Richard Xike Zhang	Independent Non-executive Director	Incumbent	Male	45	6/2013	3/2016	—	—	—	—	—	No
<b>Supervisors of the Company</b>													
15	Xie Daxiong	Chairman of Supervisory Committee	Incumbent	Male	52	3/2013	3/2016	413,169	—	—	413,169	—	No
16	He Xuemei	Supervisor	Incumbent	Female	45	3/2013	3/2016	60,260	—	—	60,260	—	No
17	Zhou Huidong	Supervisor	Incumbent	Male	39	3/2013	3/2016	58,618	—	—	58,618	—	No
18	Xu Weiyan	Supervisor	Incumbent	Female	53	3/2013	3/2016	9,199	—	—	9,199	—	No
19	Chang Qing	Supervisor	Incumbent	Male	60	3/2013	3/2016	—	—	—	—	—	Yes
<b>Senior management of the Company</b>													
20	Wei Zaisheng	Executive Vice President and Chief Financial Officer	Incumbent	Male	53	4/2013	3/2016	333,065	—	—	333,065	—	No
21	Tian Wenguo	Executive Vice President	Incumbent	Male	46	4/2013	3/2016	153,658	—	—	153,658	—	No
22	Qiu Weizhao	Executive Vice President	Incumbent	Male	52	4/2013	3/2016	289,414	—	72,300	217,114	<i>Note 1</i>	No
23	Fan Qingfeng	Executive Vice President	Incumbent	Male	47	4/2013	3/2016	361,875	—	90,469	271,406	<i>Note 1</i>	No
24	Zeng Xuezhong	Executive Vice President	Incumbent	Male	42	1/2014	3/2016	325,700	—	—	325,700	—	No
25	Zhao Xianming	Executive Vice President	Incumbent	Male	49	1/2014	3/2016	242,929	—	—	242,929	—	No
26	Chen Jie	Senior Vice President	Incumbent	Female	57	4/2013	3/2016	684,583	—	70,000	614,583	<i>Note 1</i>	No
27	Pang Shengqing	Senior Vice President	Incumbent	Male	47	4/2013	3/2016	421,402	—	80,000	341,402	<i>Note 1</i>	No
28	Xu Huijun	Senior Vice President	Incumbent	Male	42	4/2013	3/2016	420,709	—	—	420,709	—	No

No.	Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the reporting period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Number of A shares held at the end of the reporting period (shares)	Reason for the change	Whether remuneration is received from shareholder entities
29	Ye Weimin	Senior Vice President	Incumbent	Male	49	4/2013	3/2016	367,248	—	91,812	275,436	<i>Note 1</i>	No
30	Zhu Jinyun	Senior Vice President	Incumbent	Male	43	4/2013	3/2016	361,844	—	—	361,844	—	No
31	Zhang Renjun	Senior Vice President	Incumbent	Male	46	4/2013	3/2016	—	—	—	—	—	No
32	Chen Jianzhou	Senior Vice President	Incumbent	Male	45	4/2013	3/2016	97,521	—	24,380	73,141	<i>Note 1</i>	No
33	Cheng Lixin	Senior Vice President	Incumbent	Male	49	4/2013	3/2016	3,000	—	—	3,000	—	No
34	Xiong Hui	Senior Vice President	Incumbent	Male	46	1/2014	3/2016	—	—	—	—	—	No
35	Zhang Zhenhui	Senior Vice President	Incumbent	Male	42	1/2014	3/2016	65,000	—	—	65,000	—	No
36	Feng Jianxiong	Secretary to the Board of Directors	Incumbent	Male	41	4/2013	3/2016	275,000	—	68,750	206,250	<i>Note 1</i>	No
—	<b>Total</b>	—	—	—	—	—	—	<b>7,868,230</b>	<b>—</b>	<b>497,711</b>	<b>7,370,519</b>	—	—

*Note 1:* Reduction of shareholdings in accordance with “Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof”.

*Note 2:* None of the Company’s Directors, Supervisors and senior management held H shares in the issued share capital of the Company during the reporting period.

*Note 3:* The term of office of each of Ms. Qu Xiaohui, Mr. Wei Wei and Mr. Chen Naiwei, Independent Non-executive Directors of the Sixth Session of the Board of Directors of the Company, ended on 21 July 2015 upon the expiration of a period of 6 years. At the 2014 Annual General Meeting of the Company held on 28 May 2015, Mr. Chen Shaohua, Mr. Lü Hongbing and Mr. Bingsheng Teng were elected Independent Non-executive Directors of the Sixth Session of the Board of Directors of the Company for a term commencing on 22 July 2015 and ending on the date of conclusion of the term of the Sixth Session of the Board of Directors (namely, 29 March 2016).

## **Share incentives granted to Directors, Supervisors and senior management during the reporting period**

Applicable  N/A

There was no change to the share options held by the Directors and senior management of the Company during the reporting period. For details of the share options of the Company held by the Directors and senior management of the Company, please refer to the section headed “Material Matters — (VII) Information on the Share Option Incentive Scheme of the Company” in the Interim Report. Supervisors of the Company did not hold any share options of the Company.

## **5.2 Interests of Directors, Supervisors and Chief Executive Officer of the Company in shares or debentures**

The interests in shares of the Company held by Directors, Supervisors and Chief Executive Officer of the Company as at 30 June 2015 are set out in the section of this chapter headed “5.1 Changes in the Shareholdings of the Company’s Directors, Supervisors and Senior Management”.

Save as disclosed above, as at 30 June 2015, none of the Directors, Supervisors and Chief Executive Officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) that is required to be recorded in the register to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Save as disclosed above, as at 30 June 2015, none of the Directors, Supervisors or the Chief Executive Officer of the Company, or their respective spouses or children under the age of 18 had been granted or had exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

## **6. REPORT OF THE BOARD OF DIRECTORS**

### **6.1 Review of business in the first half of 2015**

#### ***1. Overview of the domestic telecommunications industry for the first half of 2015***

Currently, the domestic telecommunications industry is undergoing a stage of transition in both network and business model. The flow volume business provided an engine for carriers’ revenue growth, while the businesses of platforms and contents started to show their value. Meanwhile, the accelerated development of ICT technologies and the integration between IT and CT was driving the transformation of the telecommunications network infrastructure into a smart information service framework. During the first half of 2015, domestic carriers’ investment in equipment remained stable given the progress of 4G network deployment and expedited broadband development as a matter of national policy. While the wireless, transmission and broadband sectors remained heavily favoured spots for equipment investment by carriers, Smart Pipe, Cloud Computing, Big Data, Internet of Things and Smart City were also garnering increasing attention and investments.

## **2. Overview of the global telecommunications industry for the first half of 2015**

During the first half of 2015, the development of the global telecommunications industry benefitted primarily from the large-scale deployment, capacity expansion, performance optimisation and in-depth coverage of 4G networks and the construction of related ancillary equipment and facilities. The evolution of 5G technology standards, operations based on the value of pipeline flow volume, the development of integrated innovative businesses and the balance between security and privacy remained some of the most debated issues in the industry. Facing opportunities as well as challenges, traditional telecommunication carriers continued to increase their investments in Cloud Computing and data centres and constructed smart pipes to cater to the rapid growth in data flow, while remaining focused on LTE, broadband access and optical networks, in a bid to achieve effective transformation by exploring new opportunities for development.

## **3. Operating Results of the Group for the first half of 2015**

During the first half of 2015, the Group's operating revenue increased by 21.76% to RMB45,899 million as compared to the first half of 2014, primarily reflecting growth in operating revenue for 3G system equipment in the domestic market, FDD-LTE system equipment in the domestic and international markets, TD-LTE system equipment in the international market, wireline switch and access systems in the domestic market and optical communication systems in the domestic market. During the first half of 2015, the Group increased its investments in the research and development of products such as LTE, bearer network, SDN and GPON, while cost as a percentage of operating revenue for the period was largely unchanged from the same period last year following enhanced management over selling and distribution costs and administrative expenses. As a result of the aforesaid factors, the Group reported net profit attributable to holders of ordinary shares of the listed company of RMB1,616 million for the six months ended 30 June 2015, representing a year-on-year growth of 43.20%. Basic earnings per share amounted to RMB0.47.

### *(1) By market*

#### The domestic market

During the reporting period, the Group reported operating revenue of RMB24,361 million from the domestic market, accounting for 53.08% of the Group's operating revenue. The issuance of FDD-LTE permits facilitated further increase in overall investments in network equipment, wireline broadband network entered into a phase of fast development following the implementation of the broadband China strategy and the increase in demand for conversion of existing wireline broadband network. In the meantime, the demand for Cloud Computing and Big Data applications, Smart City and high-end routers continued to grow, as the Group worked proactively in support of the network construction plans of domestic carriers and government and corporate clients and maintained its dominant market position with quality growth by offering competitive innovative solutions.

#### The international market

During the reporting period, the Group reported operating revenue of RMB21,538 million from the international market, accounting for 46.92% of the Group's operating revenue. The Group reported stable operations and quality growth on the back of more

comprehensive partnerships with mainstream global carriers and optimised international market presence in persistent adherence to the strategy of focusing on major populous nations and mainstream global carriers.

(2) *By product*

During the reporting period, the Group reported operating revenue of RMB28,514 million for carriers' networks. Operating revenue for handset terminals amounted to RMB9,959 million. Operating revenue for telecommunications software systems, services and other products amounted to RMB7,426 million.

Carriers' networks

In connection with wireless products, the Group persisted in prioritising innovation and ongoing enhancement of the competitiveness of its products and solutions, seeking to fulfill the requirements of carriers through cutting-edge products and solutions, such as QCell, Cloud Radio TM and Magic Radio. In the 4G market, the Group was a leader in terms of domestic market share with ongoing expansion in the overseas market, as it enhanced the level of refined operation in relation to carriers and lowered carriers' overall costs through technological innovation. In the traditional 2G/3G markets, the Group achieved stable growth through ongoing optimisation of its market profile and in-depth operation. In anticipation of future developments in wireless communications, the Group pioneered in the presentation of the Pre-5G concept and the conduct of commercial trials on the basis of core carrier requirements in the next 3 to 5 years, while forming a solid foundation for large-scale commercialisation by making key investments in core 5G technologies.

In connection with wireline and optical communications products, the Group achieved stable growth as it continued to enhance the competitiveness of its products and optimise its global market presence through committed efforts in product innovation and solution-based operations and in-depth implementation of its strategy of focusing on populous nations and mainstream carriers.

In connection with Cloud Computing and IT products, the Cloud Computing and data centre businesses of the Group reported ongoing growth and became major partners of the three leading carriers and other Internet companies in China.

Handset terminals

The Group has positioned itself as "focusing on China and the American while expanding into the rest of the world." In the United States, we were focused on branding, innovation, boutique items and service upgrades; in China, we were focused on our flagship series, boutique series and value boutique series (with items typically priced around RMB1,000) to forge a sustainable business development model underpinned by carriers, channels and e-commerce. In addition, the Group's investment in brand promotion and marketing has also yielded positive results.

## Telecommunications software systems, services and other products

For the reporting period, operating revenue from the Group's telecommunications software systems, services and other products increased 36.11%, year-on-year. The increase was mainly attributable to year-on-year growth in operating revenue from video and network terminal products.

The Group is also vigorously developing the market for government and corporate sectors and services in pursuit of sustainable development, committing strong efforts to businesses such as railway transport and Smart City.

## 6.2 Management discussion and analysis prepared in accordance with PRC ASBEs

### 6.2.1 Breakdown of indicators for the reporting period by industry, product and region segments and comparison with the same period last year

Revenue mix	Operating revenue (RMB in thousands)	Operating costs (RMB in thousands)	Gross profit margin	Year-on-year Increase/decrease in operating revenue	Year-on-year Increase/decrease in operating costs	Year-on-year Increase/decrease in gross profit margin (percentage points)
<b>I. By industry</b>						
Manufacturing of communication equipment	45,898,788	30,426,748	33.71%	21.76%	19.27%	1.38
<b>Total</b>	<b>45,898,788</b>	<b>30,426,748</b>	<b>33.71%</b>	<b>21.76%</b>	<b>19.27%</b>	<b>1.38</b>
<b>II. By product</b>						
Carriers' networks	28,513,830	17,282,703	39.39%	30.58%	29.05%	0.72
Handset terminals <sup>Note</sup>	9,959,487	8,387,638	15.78%	(4.29%)	(4.13%)	(0.15)
Telecommunications software systems, services and other products	7,425,471	4,756,407	35.94%	36.11%	41.20%	(2.31)
<b>Total</b>	<b>45,898,788</b>	<b>30,426,748</b>	<b>33.71%</b>	<b>21.76%</b>	<b>19.27%</b>	<b>1.38</b>
<b>III. By region</b>						
The PRC	24,360,835	15,110,258	37.97%	26.49%	24.55%	0.96
Asia (excluding the PRC)	7,197,236	5,202,310	27.72%	22.66%	29.16%	(3.64)
Africa	3,207,354	1,470,191	54.16%	45.08%	(7.37%)	25.95
Europe, Americas and Oceania	11,133,363	8,643,989	22.36%	7.47%	11.34%	(2.70)
<b>Total</b>	<b>45,898,788</b>	<b>30,426,748</b>	<b>33.71%</b>	<b>21.76%</b>	<b>19.27%</b>	<b>1.38</b>

*Note:* Handset terminals include handsets, data cards, etc.

### ***(1) Analysis of change in revenue***

The Group reported RMB45,898,788,000 in operating revenue for the first six months of 2015, a 21.76% increase as compared to the same period last year, of which the domestic operating revenue increased by 26.49% to RMB24,360,835,000, while the international operating revenue increased by 16.81% to RMB21,537,953,000 as compared to the same period last year.

Analysed by product, there was growth in the Group's operating revenue for the first six months of 2015 as compared to the same period last year, which reflected mainly the increase in operating revenue from carriers' networks, telecommunications software systems, services and other products in both the domestic and international markets as compared to the same period last year. Year-on-year growth in the Group's operating revenue from carriers' networks for the first six months of 2015 was mainly attributable to the increase in operating revenue from 3G system equipment in the domestic market, FDD-LTE system equipment in both the domestic and international markets, TD-LTE system equipment in the international market, wireline switch and access systems in the domestic market and optical communication systems in the domestic market. Year-on-year decline in the Group's operating revenue from handset terminals for the first six months of 2015 was mainly attributable to the decrease in operating revenue from handset terminals in the domestic market. Year-on-year growth in the Group's operating revenue from telecommunications software systems, services and other products for the first six months of 2015 mainly reflected the growth in operating revenue from video and network terminals.

### ***(2) Changes in the scope of consolidation as a result of changes in equity interests in the Company's subsidiaries and analysis of comparable operating revenue and operating costs for the same period last year***

安徽中興通訊傳媒有限責任公司 ("Anhui Media"), a wholly-owned subsidiary of the Company, completed the deregistration with industrial and commercial administration authorities in February 2015 and Anhui Media was deconsolidated from the consolidated statements of the Group as from February 2015. As the operating revenue and operating costs of Anhui Media for the six months ended 30 June 2014 had minimal impact on the Group's financial data for the six months ended 30 June 2014, no analysis for the period was made on the comparable operating revenue and operating costs for the same period last year.

### ***6.2.2 Reasons for substantial change in the Group's principal business and its structure, profit mix and profitability during the reporting period.***

- (1) There was no significant change in the principal business and its structure during the reporting period compared to the same period last year.
- (2) Changes in the profit mix during the reporting period compared to the same period last year are set out as follows:

For the first half of 2015, the Group reported operating profit of RMB76,343,000, an increase by 136.35% compared to the same period last year, which was mainly attributable to improvements in both operating revenue and gross profit. Expenses for the period amounted to RMB13,039,995,000, which was 24.81% higher as compared to the same period last year, reflecting mainly increased investment in research and

development for the period and exchange losses recorded for the period versus exchange gains recorded for the same period last year both as a result of exchange rate volatility. Investment income amounted to RMB362,268,000, increasing by 574.34% as compared to the same period last year and reflecting mainly substantial gain from settlement of forward exchange contracts upon maturity for the period versus loss incurred for the same period last year. Net non-operating income and expenses amounted to RMB2,066,045,000, a year-on-year increase of 11.44%, reflecting year-on-year growth in income from software VAT rebate.

- (3) Changes in the profitability (gross profit margin) of principal business during the reporting period compared to the same period last year are set out as follows:

The Group reported growth in both operating revenue and gross profit for the first half of 2015, reflecting growth in operating revenue and gross profit for 3G system equipment in the domestic market, FDD-LTE system equipment in the domestic and international markets, TD-LTE system equipment in the international market, wireline switch and access systems in the domestic market and optical communication systems in the domestic market.

### 6.3 Management discussion and analysis prepared in accordance with HKFRSs

The financial data below are extracted from the Group's unaudited financial statements prepared in accordance with HKFRSs. The following discussion and analysis should be read in conjunction with the Group's financial statements and the accompanying notes as set out in the Interim Report.

#### Revenue

The following table sets out the revenue attributable to the major product segments of the Group for the periods indicated, in monetary amount and as a percentage of the total operating revenue:

*Unit: RMB in millions*

Product segment	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Revenue	As a percentage of operating revenue	Revenue	As a percentage of operating revenue
Carriers' networks	28,513.8	62.1%	21,835.7	57.9%
Handset terminals	9,959.5	21.7%	10,406.2	27.6%
Telecommunications software systems, services and other products	7,425.5	16.2%	5,455.4	14.5%
<b>Total</b>	<b>45,898.8</b>	<b>100.0%</b>	<b>37,697.3</b>	<b>100.0%</b>



The following table sets out the revenue of the Group attributable to the PRC, Asia (excluding the PRC), Africa, Europe, the Americas and Oceania for the periods indicated, in monetary amount and as a percentage of the total operating revenue:

*Unit: RMB in millions*

Region	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Revenue	As a percentage of operating revenue	Revenue	As a percentage of operating revenue
The PRC	24,360.8	53.1%	19,259.6	51.1%
Asia (excluding the PRC)	7,197.2	15.7%	5,867.7	15.6%
Africa	3,207.4	7.0%	2,210.7	5.9%
Europe, the Americas and Oceania	11,133.4	24.2%	10,359.3	27.4%
<b>Total</b>	<b>45,898.8</b>	<b>100.0%</b>	<b>37,697.3</b>	<b>100.0%</b>

The Group reported RMB45,898.8 million in operating revenue for the first six months of 2015, a 21.8% increase as compared to the same period last year, of which the domestic operating revenue increased by 26.5% to RMB24,360.8 million, while the international operating revenue increased by 16.8% to RMB21,538.0 million as compared to the same period last year.

Analysed by product, there was growth in the Group's operating revenue for the first six months of 2015 as compared to the same period last year, which reflected mainly the increase in operating revenue from carriers' networks, telecommunications software systems, services and other products in both the domestic and international markets as compared to the same period last year. Year-on-year growth in the Group's operating revenue from carriers' networks for the first six months of 2015 was mainly attributable to the increase in operating revenue from 3G system equipment in the domestic market, FDD-LTE system equipment in both the domestic and international markets, TD-LTE system equipment in the international market, wireline switch and access systems in the domestic market and optical communication systems in the domestic market. Year-on-year decline in the Group's operating revenue from handset terminals for the first six months of 2015 was mainly attributable to the decrease in operating revenue from handset terminals in the domestic market. Year-on-year growth in the Group's operating revenue from telecommunications software systems, services and other products for the first six months of 2015 mainly reflected the growth in operating revenue from video and network terminals.

## Cost of Sales and Gross Profit

The following tables set out (1) the cost of sales of the Group and cost of sales as a percentage of total operating revenue and (2) the Group's gross profit and gross profit margin for the periods indicated:

*Unit: RMB in millions*

Product segment	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Cost of sales	As a percentage of product segment revenue	Cost of sales	As a percentage of product segment revenue
Carriers' networks	18,605.5	65.3%	14,124.7	64.7%
Handset terminals	8,409.7	84.4%	8,780.9	84.4%
Telecommunications software systems, services and other products	5,073.2	68.3%	3,670.6	67.3%
<b>Total</b>	<b>32,088.4</b>	<b>69.9%</b>	<b>26,576.2</b>	<b>70.5%</b>

*Unit: RMB in millions*

Product segment	For the six months ended 30 June 2015		For the six months ended 30 June 2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Carriers' networks	9,908.3	34.7%	7,711.0	35.3%
Handset terminals	1,549.8	15.6%	1,625.3	15.6%
Telecommunications software systems, services and other products	2,352.3	31.7%	1,784.8	32.7%
<b>Total</b>	<b>13,810.4</b>	<b>30.1%</b>	<b>11,121.1</b>	<b>29.5%</b>

Cost of sales of the Group for the first six months of 2015 increased 20.7% as compared to the same period last year to RMB32,088.4 million. The Group's overall gross profit margin for the first half of 2015 of 30.1% was 0.6 percentage point higher as compared to the same period last year, reflecting mainly growth in operating revenue from carriers' networks, which commanded a higher gross profit margin, as a percentage of total revenue.

Cost of sales of the Group's carriers' networks for the first six months of 2015 amounted to RMB18,605.5 million, a 31.7% increase compared to the same period last year. The relevant gross profit margin was 34.7% versus 35.3% for the same period last year. The slight decrease in gross profit margin of carriers' networks mainly reflected the combined effect of the slight decrease in gross profit margin for wireless system equipment in the domestic market and the increase in gross profit margin for wireless system equipment in the international market recognised for the period.

Cost of sales of the Group's handset terminals for the first six months of 2015 amounted to RMB8,409.7 million, a decline of 4.2% compared to the same period last year. The gross profit margin of handset terminals remained unchanged over the same period last year at 15.6%.

Cost of sales of the Group's telecommunications software systems, services and other products for the first six months of 2015 amounted to RMB5,073.2 million, increasing by 38.2% compared to the same period last year. The relevant gross profit margin was 31.7%, compared to 32.7% for the same period last year. The decrease in gross profit margin of telecommunications software systems, services and other products was mainly attributable to lower gross profit margin for video and network terminals in the domestic market.

#### *Other Income and Gains*

Other income and gains of the Group for the first six months of 2015 amounted to RMB2,840.3 million, representing a 16.2% increase compared to RMB2,444.3 million for the first six months of 2014. The increase reflected mainly substantial gain from settlement of forward exchange contracts upon maturity by the Group during the period versus loss incurred for the same period last year.

#### *Research and Development Costs*

The Group's research and development costs for the first six months of 2015 increased by 33.1% to RMB5,491.9 million from RMB4,126.5 million for the first six months of 2014, and increased by 1.1 percentage points to 12.0% from 10.9% for the first six months of 2014 as a percentage of operating revenue, attributable mainly to the Group's ongoing increase in investment in the research and development of products such as LTE, bearer network, SDN and GPON during the period.

#### *Selling and Distribution Expenses*

The Group's selling and distribution expenses for the first six months of 2015 increased by 12.5% to RMB5,406.8 million from RMB4,806.4 million for the first six months of 2014, reflecting mainly increased staff expenses and investment in the Asian, European and United States markets by the Group during the period. Selling and distribution expenses as a percentage of operating revenue was 11.8% for the first six months of 2015, decreasing by 0.9 percentage point compared to 12.7% for the first six months of 2014.

#### *Administrative Expenses*

Administrative expenses of the Group for the first six months of 2015 increased by 8.8% to RMB1,243.8 million, as compared to RMB1,142.8 million for the first six months of 2014, which was mainly attributable to the increase in the Group's staff expenses for the period. Administrative expenses as a percentage of operating revenue decreased by 0.3 percentage point to 2.7% from 3.0% for the first six months of 2014.

#### *Other Expenses*

Other expenses of the Group for the first six months of 2015 increased by 55.5% to RMB1,635.6 million, as compared to RMB1,051.6 million for the first six months of 2014, reflecting mainly the increase in the Group's provision for bad debts of trade receivables for the period.

### *Profit from Operating Activities*

The Group's profit from operating activities for the first six months of 2015 increased by 17.8% to RMB2,872.6 million, as compared to RMB2,438.1 million for the first six months of 2014, while the operating profit margin decreased by 0.2 percentage point to 6.3% from 6.5% for the first six months of 2014, reflecting primarily the combined effect of the increase in gross profit and the increase in research and development costs of the Group for the period.

### *Finance Costs*

Finance costs of the Group for the first six months of 2015 decreased by 8.2% to RMB692.1 million compared to RMB753.7 million for the first six months of 2014, which was attributable mainly to the Group's efforts to enhance treasury management, adjust debt structure and actively expand overseas low-cost financing channels.

### *Income Tax Expense*

The Group's income tax expense for the first six months of 2015 was RMB310.2 million, which was 34.4% lower as compared to RMB472.7 million for the first six months of 2014, which was mainly attributable to lower income tax charge rates as a result of the Group's arrangements in internal transactions and transfer prices during the period.

### *Profit Attributable to Non-Controlling Interests*

The Group's profit attributable to non-controlling interests for the first six months of 2015 amounted to RMB35.8 million, representing a decrease of 16.9% compared to RMB43.1 million for the first six months of 2014, mainly attributable to the decrease in profit recorded by certain subsidiaries of the Group for the period.

### *Other Comprehensive Income*

Other comprehensive income of the Group for the first six months of 2015 amounted to RMB559.6 million, compared to RMB-1.5 million for the first six months of 2014, reflecting mainly gains for the period arising from the fair-value revaluation of the Group's available-for-sale financial assets at the end of the period.

### *Debt-Equity Ratio*

The Group's debt-equity ratio for the first six months of 2015 was 40.0%, decreasing by 13.9 percentage points as compared to 53.9% for the first six months of 2014. The decrease was mainly attributable to the combined effect of the issuance of perpetual medium term notes by the Group and the continuous growth in its profitability.

## Cash Flow Data

Unit: RMB in millions

Item	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Net cash inflow from operating activities	873.6	1,038.3
Net cash outflow from investing activities	(1,132.7)	(1,894.5)
Net cash inflow (outflow) from financing activities	527.7	(3,276.7)
Net increase (decrease) in cash and cash equivalents	268.6	(4,132.9)
Cash and cash equivalents at the end of the period	17,317.5	16,051.2

As at 30 June 2015, the Group's cash and cash equivalents amounted to RMB17,317.5 million, which were mainly denominated in RMB, and to a lesser extent in USD, EUR, HKD and other currencies.

### Operating Activities

The Group reported net cash inflow from operating activities of RMB873.6 million for the first six months of 2015, compared to RMB1,038.3 million for the first six months of 2014, mainly reflecting year-on-year increase of cash received from sales of goods and provision of services by RMB9,334.5 million, increase in other cash received relating to operating activities by RMB221.5 million and increase in tax rebates by RMB239.9 million; coupled with increase of cash paid for the purchase of goods and services by RMB6,093.5 million, increase in cash payments to and on behalf of employees by RMB1,915.3 million, increase in tax payments by RMB900.9 million, increase in other cash payments relating to operating activities by RMB93.7 million and increase in cash payments relating to dividend distribution or interest repayment by RMB26.1 million.

### Investing Activities

The Group's net cash outflow from investing activities was RMB1,132.7 million for the first six months of 2015 versus RMB1,894.5 million for the first six months of 2014, reflecting mainly the decrease in pledged bank deposits of the Group for the period versus an increase in the same for the same period last year.

### Financing Activities

The Group's net cash inflow from financing activities for the first six months of 2015 was RMB527.7 million, compared to net cash outflow of RMB3,276.7 million for the first six months of 2014, reflecting mainly the increase of RMB7,415.5 million in connection with the issuance of perpetual medium term notes by the Group during the period.

## *Indebtedness*

*Unit: RMB in millions*

<b>Item</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Secured bank loans	<b>113.7</b>	606.6
Unsecured bank loans	<b>20,252.0</b>	20,474.2

*Unit: RMB in millions*

<b>Item</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Short-term bank loans	<b>10,815.7</b>	11,041.1
Long-term bank loans	<b>9,550.0</b>	10,039.7

Credit facilities available to the Group included long-term and short-term bank loans, which were mainly used as working capital. Of the Group's long-term banks loans, RMB loans with an amount of RMB 1,638.2 million were subject to fixed interest rates, while USD loans and EUR loans were subject to floating interest rates. The Group's bank loans were mainly denominated in USD and EUR, apart from RMB loans.

The balance of the Group's bank loans as at 30 June 2015 was RMB715.1 million less than that as at 31 December 2014. The reduction mainly reflected improvements in the Group's operating cash flow and the repayment of certain bank loans during the period.

## *Capital Commitments*

The Group had the following capital commitments as of the dates indicated:

*Unit: RMB in millions*

<b>Item</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Land and buildings: Contracted, but not provided for	<b>902.9</b>	214.4
Investment in associates: Contracted, but not provided for	<b>71.6</b>	5.2
Land and buildings: Authorised, but not contracted	<b>21,238.0</b>	21,897.5

## *Disclosure required under the Hong Kong Listing Rules*

In accordance with paragraph 40 of Appendix 16 to the Hong Kong Listing Rules, the Company confirms that, save as disclosed herein, there has been no material change in the current information regarding the Company from the information disclosed in the 2014 Annual Report of the Company in relation to matters set out in paragraph 32 of Appendix 16.

**6.4 Warnings of and reasons for any projected accumulated net loss from the beginning of the year to the end of the next reporting period or substantial change in accumulated net profit from the beginning of the year to the end of the next reporting period as compared to the same period last year**

Applicable  N/A

**6.5 Business outlook for the second half of 2015 and risk exposures**

**6.5.1 Business outlook for the second half of 2015**

Looking to the second half of 2015, global economic recovery has fostered a positive environment for the telecommunications industry, while investments in 4G networks are expected to continue. Nevertheless, the traditional telecommunications industry will face challenges as well as opportunities, as they look to reduce the cost of network construction and operation, build broadband connections with higher speed, monetise the added value of Big Data, strengthen network information security and develop smart terminals and wearable devices. In connection with carriers' networks, large-scale deployment, capacity expansion, performance optimisation, and in-depth coverage of 4G networks will drive new demand for investments in the telecommunications industry, while the construction of smart pipelines by carriers to cope with the rapid growth of data flow represents new opportunities for us. In connection with government and corporate networks, the sophisticated integration between the Mobile Internet and traditional industries, underpinned by latest technologies such as the Internet of Things, Cloud Computing, Big Data and high-power wireless charge, will trigger off an information revolution, while the increasingly acute issue of information security and the fast-growing demand for Smart City solutions will give rise to opportunities to government and corporate networks. In connection with handset terminals, the slowdown in penetration and growth of the global smart phone market means that the global market has reached a stage where competition is ultimately determined by the overall strengths of the players. The new generation of handset terminals will emphasise the enhancement of users' experience with stronger integration of Big Data and Cloud services and contents.

To address the aforesaid challenges and opportunities in the second half of 2015, the Group will focus on the three mainstream markets of "carriers, government and corporate sectors and consumers" under the theme of "capitalising on opportunities arising from macro-restructuring to create value out of information," seeking to achieve breakthroughs in profitability through innovations in technologies and business models as we build our presence in the "new sectors." For the carriers, the Group will be committed to enhancing pipeline intelligentisation to support the transformation of telecommunication carriers into information carriers. For the government and corporate sector, the Group will actively drive the transition of various sectors to "Industry 4.0" or "Industrial Internet" while increasing the operation efficiency of corporates. For consumers, the Group will enhance its channel building, market promotion and design capabilities with the primary aim of enhancing users' value.

**6.5.2 Risk Exposures**

*(1) Country risk*

Given the complex nature of international economic and political conditions, the Group will continue to be exposed to trade protection, debtors' risks, political risks or even warfare or the succession of political regimes in countries where the Group operates its

business. As such, a very high level of operational and risk control capabilities is required. Currently, the Group conducts systematic management of country risks mainly through regular assessment, timely warning and proactive response.

*(2) Risk associated with intellectual property rights*

The Group has always attached great importance to product technology research and development as well as the protection and management of intellectual property rights. We maintain our investment in technology research and development each year at approximately 10% of our sales revenue. Trademarks of the Group's products and services are all registered, and such products and services are all protected under relevant patent rights. While the Group has adopted highly stringent measures to protect its intellectual property rights, potential disputes over intellectual property rights between the Group and other telecommunications equipment manufacturers, franchisee companies and carriers which partner with the Group cannot be totally ruled out. The Group will continue to drive the solution of related issues with an open-minded, cooperative and mutually beneficial approach.

*(3) Exchange rate risk*

The Group's consolidated financial statements are expressed in RMB. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and financing settled in currencies other than RMB. The Group seeks to mitigate the impact of exchange rate volatility on its operations by managing its foreign exchange risks through business planning, consolidated hedging and financial instruments, etc based on the principle of exposure management.

*(4) Interest rate risk*

The interest rate risk of the Group is mainly associated with interest-bearing liabilities. Fluctuations in the interest rates of RMB and foreign currencies will result in changes in the total amount of interest payable by the Group and will therefore affect the Group's profitability. The Group seeks to lower its interest rate risk mainly by managing the structure of its interest-bearing liabilities.

*(5) Credit risk*

The Group provides one-stop communications solutions to its customers. With the rapid expansion of its business, the Group is serving a large customer base with differing credit status, and its business will inevitably be affected by the varied credit profiles of these customers. The Group seeks to mitigate the aforesaid impact by adopting various credit management measures, such as international customer credit rating, customer credit limit management, credit risk assessment for projects, stringent credit control against customers with faulty payment records, the purchase of credit insurance and the transfer of credit risks through appropriate financial instruments, etc.



## **7. COMPLIANCE OF THE CORPORATE GOVERNANCE CODE AND OTHER MATTERS**

### **7.1 Compliance of the Corporate Governance Code**

During the period from 1 January to 30 June 2015, the Company fully complied with the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules.

### **7.2 Securities transactions by Directors and Supervisors**

The Directors and Supervisors of the Company confirmed that the Company had adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules. Having made due enquiries with all Directors and Supervisors of the Company, the Company was not aware of any information that reasonably suggested that the Directors and Supervisors had not complied with the requirements in the Model Code during the reporting period.

## **8. FINANCIAL REPORTS**

**8.1** The Audit Committee of the Company has discussed with the management the accounting standards and practices adopted by the Group, and has also discussed and reviewed the Interim Report, including the financial statements of the Group for the six months ended 30 June 2015.

### **8.2 Audit opinion**

Unaudited    Audited

### **8.3 Comparative financial statements**

*8.3.1 Financial statements prepared in accordance with PRC ASBEs (Unaudited) (Please see Appendix I)*

*8.3.2 Financial statements prepared in accordance with HKFRSs (Unaudited) and notes thereto (Please see Appendix II)*

**8.4 Explanatory statement on changes in the accounting policies, accounting estimates, and auditing methods for the reporting period in comparison with the last annual financial report**

Applicable    N/A

**8.5 Explanatory statement on rectification of significant accounting errors for the reporting period requiring retrospective restatement**

Applicable    N/A

## 8.6 Explanation of changes to the scope of consolidated financial statement in comparison with the last annual financial report

New tier-two subsidiaries established during the first half of 2015 included 山西中興網信科技有限公司, 中興(銀川)智慧城市研究院(有限公司), 大連中興網信科技有限公司 and 綏化中興智慧城市發展有限公司.

安徽中興通訊傳媒有限責任公司, a tier-one subsidiary of the Company, completed deregistration with industrial and commercial administration authorities according to the PRC Corporate Regulations on 15 February 2015 and 安徽中興通訊傳媒有限責任公司 had been deconsolidated from the consolidated statements of the Group as from February 2015.

By Order of the Board  
**Hou Weigui**  
Chairman

Shenzhen, the PRC  
26 August 2015

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Tan Zhenhui, Richard Xike Zhang, Chen Shaohua, Lü Hongbing and Bingsheng Teng.*

**APPENDIX I: FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC  
ASBES (UNAUDITED)**

**CONSOLIDATED BALANCE SHEET**

*Currency: RMB'000*

<b>Assets</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Current assets</b>		
Cash	<b>18,448,405</b>	18,115,874
Financial assets dealt with at fair value through current profit or loss	<b>79,640</b>	240,973
Bills receivable	<b>3,520,977</b>	2,086,771
Trade receivables	<b>26,381,265</b>	25,152,963
Factored trade receivables	<b>2,204,311</b>	3,160,705
Other receivables	<b>2,554,339</b>	2,159,677
Prepayments	<b>699,065</b>	682,778
Inventories	<b>21,618,152</b>	19,592,298
Amount due from customers for contract works	<b>12,670,977</b>	11,033,468
<b>Total current assets</b>	<b>88,177,131</b>	82,225,507
<b>Non-current assets</b>		
Available-for-sale financial assets	<b>2,195,085</b>	1,739,664
Long-term trade receivables	<b>342,111</b>	266,501
Factored long-term trade receivables	<b>1,522,368</b>	1,701,978
Long-term equity investments	<b>486,830</b>	461,316
Investment properties	<b>2,069,146</b>	2,004,465
Property, plant and equipment	<b>7,123,222</b>	7,348,292
Construction in progress	<b>619,207</b>	262,863
Intangible assets	<b>1,381,877</b>	1,364,695
Deferred development costs	<b>3,843,096</b>	3,483,505
Deferred tax assets	<b>1,429,882</b>	1,284,493
Long-term deferred assets	<b>42,316</b>	53,287
Other non-current assets	<b>3,911,317</b>	4,017,630
<b>Total non-current assets</b>	<b>24,966,457</b>	23,988,689
<b>Total assets</b>	<b>113,143,588</b>	106,214,196

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

*Currency: RMB'000*

<b>Liabilities</b>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
<b>Current liabilities</b>		
Short-term loans	<b>9,093,643</b>	10,998,077
Financial liabilities dealt with at fair value through current profit or loss	<b>17,130</b>	70,604
Bank advances on factored trade receivables	<b>2,215,181</b>	3,175,432
Bills payable	<b>11,791,950</b>	10,381,688
Trade payables	<b>20,954,675</b>	19,244,400
Amount due to customers for contract works	<b>4,911,812</b>	3,825,106
Advances from customers	<b>4,698,795</b>	3,305,520
Salary and welfare payables	<b>3,427,895</b>	2,806,947
Taxes payable	<b>(4,023,496)</b>	(2,790,280)
Dividends payable	<b>8,113</b>	8,113
Other payables	<b>7,761,193</b>	7,531,970
Deferred income	<b>540,831</b>	451,507
Provisions	<b>586,487</b>	741,391
Long-term loans due within one year	<b>1,722,000</b>	6,174,257
<b>Total current liabilities</b>	<b>63,706,209</b>	65,924,732
<b>Non-current liabilities</b>		
Long-term loans	<b>9,550,012</b>	10,039,687
Bank advances on factored long-term trade receivables	<b>1,522,368</b>	1,701,978
Provision for retirement benefits	<b>114,660</b>	115,450
Deferred tax liabilities	<b>173,176</b>	159,340
Deferred income	<b>630,746</b>	631,149
Other non-current liabilities	<b>1,290,744</b>	1,349,356
<b>Total non-current liabilities</b>	<b>13,281,706</b>	13,996,960
<b>Total liabilities</b>	<b>76,987,915</b>	79,921,692

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

*Currency: RMB'000*

<b>Shareholders' equity</b>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
<b>Shareholders' equity</b>		
Issued capital	3,437,541	3,437,541
Capital reserve	8,812,227	8,724,754
Other comprehensive income	(316,687)	(464,275)
Surplus reserve	1,769,012	1,769,012
Retained profits	12,339,619	10,724,034
Proposed final dividends	687,508	687,508
	<hr/>	<hr/>
Total equity attributable to ordinary equity holders of the parent	26,729,220	24,878,574
Other equity instruments	7,596,253	—
Non-controlling interests	1,830,200	1,413,930
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b>36,155,673</b>	<b>26,292,504</b>
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>113,143,588</b>	<b>106,214,196</b>
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**Hou Weigui**

*Legal representative*

**Wei Zaisheng**

*Chief Financial  
Officer*

**Shi Chunmao**

*Head of Finance  
Division*

# CONSOLIDATED INCOME STATEMENT

Currency: RMB'000

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
<b>Operating revenue</b>	<b>45,898,788</b>	37,697,309
Less: Operating costs	<b>30,426,748</b>	25,509,830
Taxes and surcharges	<b>845,820</b>	672,289
Selling and distribution costs	<b>5,333,174</b>	4,741,335
Administrative expenses	<b>1,207,807</b>	1,072,251
Research and development costs	<b>5,491,912</b>	4,126,546
Finance expenses	<b>1,007,102</b>	507,970
Impairment losses	<b>1,882,106</b>	1,141,995
Add: Gains/(Losses)from changes in fair values	<b>9,956</b>	(58,769)
Investment income/(loss)	<b>362,268</b>	(76,373)
Including: Share of losses of associates and joint ventures	<b>(38,111)</b>	(40,448)
<b>Operating profit/(loss)</b>	<b>76,343</b>	(210,049)
Add: Non-operating income	<b>2,131,212</b>	1,912,664
Less: Non-operating expenses	<b>65,167</b>	58,629
Including: losses on disposal of non-current assets	<b>16,044</b>	16,179
<b>Total profit</b>	<b>2,142,388</b>	1,643,986
Less: Income tax	<b>310,202</b>	472,675
<b>Net profit</b>	<b>1,832,186</b>	1,171,311
<b>Attributable to owners of the parent:</b>		
Ordinary equity holders of the parent	<b>1,615,585</b>	1,128,206
Perpetual capital instruments	<b>180,753</b>	—
<b>Non-controlling interests</b>	<b>35,848</b>	43,105

**CONSOLIDATED INCOME STATEMENT (CONTINUED)**

*Currency: RMB'000*

	<b>Six months ended 30 June 2015 (unaudited)</b>	Six months ended 30 June 2014 (unaudited)
<b>Other comprehensive income, net of tax</b>	<b>559,573</b>	<b>(1,458)</b>
Other comprehensive income attributable to ordinary equity holders of the parent, net of tax	<b>147,588</b>	<b>(851)</b>
Other comprehensive income that will be reclassified to profit or loss in subsequent accounting periods		
Changes in the fair value of available-for-sale financial assets	<b>126,144</b>	<b>(134,448)</b>
Effective portion of cash flow hedging instruments	<b>917</b>	<b>848</b>
Exchange differences on translation of foreign operations	<b>20,527</b>	<b>132,749</b>
	<b>147,588</b>	<b>(851)</b>
Other comprehensive income attributable to non-controlling interests, net of tax	<b>411,985</b>	<b>(607)</b>
<b>Total comprehensive income</b>	<b>2,391,759</b>	<b>1,169,853</b>
Total comprehensive income attributable to owners of the parent:		
Ordinary equity holders of the parent	<b>1,763,173</b>	<b>1,127,355</b>
Perpetual capital instruments	<b>180,753</b>	<b>—</b>
Total comprehensive income attributable to non-controlling interests	<b>447,833</b>	<b>42,498</b>
<b>Earnings per share (RMB/share)</b>		
Basic	<b>RMB0.47</b>	<b>RMB0.33</b>
Diluted	<b>RMB0.46</b>	<b>RMB0.33</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Currency: RMB'000

Six months ended 30 June 2015 (unaudited)

	Equity attributable to ordinary equity holders of the parent							Other equity instruments		Total shareholders' equity
	Issued capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit	Proposed final dividends	Sub-total	Perpetual capital instruments	Non-controlling interests	
<b>I. Current period's opening balance</b>	3,437,541	8,724,754	(464,275)	1,769,012	10,724,034	687,508	24,878,574	—	1,413,930	26,292,504
<b>II. Changes during the period</b>										
(I) Net profit	—	—	—	—	1,615,585	—	1,615,585	180,753	35,848	1,832,186
(II) Other comprehensive income	—	—	147,588	—	—	—	147,588	—	411,985	559,573
Total comprehensive income	—	—	147,588	—	1,615,585	—	1,763,173	180,753	447,833	2,391,759
(III) Shareholder's capital injection and capital reduction										
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	5,000	5,000
2. Capital injection by holders of other equity instruments	—	—	—	—	—	—	—	7,415,500	—	7,415,500
3. Equity-settled share option expense	—	89,121	—	—	—	—	89,121	—	—	89,121
4. Acquisition of non-controlling interest	—	(1,648)	—	—	—	—	(1,648)	—	(22,594)	(24,242)
(IV) Profit appropriation										
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—	—	(13,969)	(13,969)
3. Proposed final dividends	—	—	—	—	—	—	—	—	—	—
<b>III. Current period's closing balance</b>	<u>3,437,541</u>	<u>8,812,227</u>	<u>(316,687)</u>	<u>1,769,012</u>	<u>12,339,619</u>	<u>687,508</u>	<u>26,729,220</u>	<u>7,596,253</u>	<u>1,830,200</u>	<u>36,155,673</u>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Currency: RMB'000

Six months ended 30 June 2014 (unaudited)  
(Restated)

	Equity attributable to ordinary equity holders of the parent							Non-controlling interests	Total shareholders' equity
	Issued capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit	Proposed final dividends	Sub-total		
<b>I. Current period's opening balance</b>	3,437,541	8,545,701	(100,703)	1,613,195	8,933,788	103,126	22,532,648	1,093,041	23,625,689
<b>II. Changes during the period</b>									
(I) Net profit	—	—	—	—	1,128,206	—	1,128,206	43,105	1,171,311
(II) Other comprehensive income	—	—	(851)	—	—	—	(851)	(607)	(1,458)
Total comprehensive income	—	—	(851)	—	1,128,206	—	1,127,355	42,498	1,169,853
(III) Shareholder's capital injection and capital reduction									
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—
2. Equity-settled share option expense	—	89,120	—	—	—	—	89,120	—	89,120
3. Shareholder's capital reduction	—	—	—	—	—	—	—	(48,990)	(48,990)
4. Acquisition of non-controlling interest	—	—	—	—	—	—	—	—	—
(IV) Profit appropriation									
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—	(9,148)	(9,148)
3. Proposed final dividends	—	—	—	—	—	—	—	—	—
<b>III. Current period's closing balance</b>	<u>3,437,541</u>	<u>8,634,821</u>	<u>(101,554)</u>	<u>1,613,195</u>	<u>10,061,994</u>	<u>103,126</u>	<u>23,749,123</u>	<u>1,077,401</u>	<u>24,826,524</u>

## CONSOLIDATED CASH FLOW STATEMENT

Currency: RMB'000

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
<b>I. Cash flows from operating activities</b>		
Cash received from sale of goods or rendering of services	51,026,906	41,692,381
Refunds of taxes	3,526,114	3,286,212
Cash received relating to other operating activities	1,045,509	823,979
<b>Sub-total of cash inflows</b>	<b>55,598,529</b>	45,802,572
Cash paid for goods and services	38,482,957	32,389,429
Cash paid to and on behalf of employees	7,456,185	5,540,915
Cash paid for various types of taxes	4,311,365	3,410,470
Cash paid relating to other operating activities	3,840,136	3,746,449
<b>Sub-total of cash outflows</b>	<b>54,090,643</b>	45,087,263
<b>Net cash flows from operating activities</b>	<b>1,507,886</b>	715,309
<b>II. Cash flows from investing activities</b>		
Cash received from sale of investments	800,001	983,731
Cash received from return on investments	441,778	54,465
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	9,033	15,314
<b>Sub-total of cash inflows</b>	<b>1,250,812</b>	1,053,510
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,352,721	951,924
Cash paid for acquisition of investments	854,241	888,435
<b>Sub-total of cash outflows</b>	<b>2,206,962</b>	1,840,359
<b>Net cash flows used in investing activities</b>	<b>(956,150)</b>	(786,849)

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

*Currency: RMB'000*

	<b>Six months ended 30 June 2015 (unaudited)</b>	Six months ended 30 June 2014 (unaudited)
<b>III. Cash flows from financing activities</b>		
Cash received from capital injection	5,000	—
Including: Capital injection into subsidiaries by minority shareholders	5,000	—
Cash received from the issuance of perpetual capital instruments	7,415,500	—
Cash received from borrowings	7,020,747	21,894,336
<b>Sub-total of cash inflows</b>	<b>14,441,247</b>	21,894,336
Cash repayment of borrowings	13,913,549	25,171,010
Cash payments for distribution of dividends, profits and for interest expenses	810,849	784,744
Including: Distribution of dividends and profits by subsidiaries to minority shareholders	13,969	30,470
<b>Sub-total of cash outflows</b>	<b>14,724,398</b>	25,955,754
<b>Net cash flows used in financing activities</b>	<b>(283,151)</b>	(4,061,418)
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(181,183)</b>	65,864
<b>V. Net increase in cash and cash equivalents</b>	<b>87,402</b>	(4,067,094)
Add: cash and cash equivalents at the beginning of period	17,230,140	20,118,274
<b>VI. Net balance of cash and cash equivalents at the end of period</b>	<b>17,317,542</b>	16,051,180

## BALANCE SHEET

Currency: RMB'000

Assets	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Current assets</b>		
Cash	9,697,648	10,025,991
Financial assets dealt with at fair value through current profit or loss	24,382	53,390
Bills receivable	3,274,308	1,873,999
Trade receivables	35,402,073	36,620,720
Factored trade receivables	448,176	1,259,713
Prepayments	53,484	66,692
Dividends receivable	3,558,377	2,487,128
Other receivables	6,176,945	6,338,933
Inventories	12,843,375	12,353,923
Amount due from customers for contract works	7,954,513	7,799,190
<b>Total current assets</b>	<b>79,433,281</b>	<b>78,879,679</b>
<b>Non-current assets</b>		
Available-for-sale financial assets	366,924	373,555
Long-term trade receivables	5,678,976	5,480,245
Factored long-term trade receivables	1,208,420	1,287,954
Long-term equity investments	6,916,210	6,884,411
Investment properties	1,624,703	1,597,919
Property, plant and equipment	4,318,693	4,458,748
Construction in progress	120,948	11,909
Intangible assets	529,081	515,110
Deferred development costs	892,011	846,625
Deferred tax assets	736,898	674,629
Long-term deferred assets	36,411	44,518
Other non-current assets	3,842,316	3,879,675
<b>Total non-current assets</b>	<b>26,271,591</b>	<b>26,055,298</b>
<b>Total assets</b>	<b>105,704,872</b>	<b>104,934,977</b>

**BALANCE SHEET (CONTINUED)**
*Currency: RMB'000*

	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term loans	6,844,160	8,418,581
Financial liabilities dealt with at fair value through current profit or loss	3,703	17,587
Bank advances on factored trade receivables	457,527	1,274,440
Bills payable	13,590,610	12,389,807
Trade payables	31,655,871	31,214,686
Amount due to customers for contract works	3,170,404	2,654,158
Advances from customers	4,282,232	3,411,519
Salary and welfare payables	1,230,491	771,370
Taxes payable	(3,072,259)	(2,377,915)
Dividends payable	156	156
Other payables	17,694,959	19,020,951
Deferred income	304,282	191,584
Provisions	317,808	388,995
Long-term loans due within one year	<u>1,720,000</u>	<u>6,131,185</u>
<b>Total current liabilities</b>	<u>78,199,944</u>	<u>83,507,104</u>
<b>Non-current liabilities</b>		
Long-term loans	1,301,680	2,980,100
Bank advances on factored long-term trade receivables	1,208,420	1,287,954
Provision for retirement benefits	114,660	115,450
Deferred tax liabilities	162,367	158,350
Other non-current liabilities	<u>1,290,327</u>	<u>1,348,475</u>
<b>Total non-current liabilities</b>	<u>4,077,454</u>	<u>5,890,329</u>
<b>Total liabilities</b>	<u>82,277,398</u>	<u>89,397,433</u>
<b>Shareholders' equity</b>		
Issued capital	3,437,541	3,437,541
Capital reserve	8,829,804	8,740,683
Other comprehensive income	720,841	720,953
Surplus reserve	1,107,256	1,107,256
Retained profits	1,048,271	843,603
Proposed final dividends	<u>687,508</u>	<u>687,508</u>
Total equity attributable to ordinary equity holders	<u>15,831,221</u>	<u>15,537,544</u>
Other equity instruments	7,596,253	—
<b>Total shareholders' equity</b>	<u>23,427,474</u>	<u>15,537,544</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>105,704,872</u></u>	<u><u>104,934,977</u></u>

## INCOME STATEMENT

Currency: RMB'000

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
<b>Operating revenue</b>	<b>44,533,087</b>	34,822,306
Less: Operating costs	<b>37,506,417</b>	30,353,179
Taxes and surcharges	<b>501,735</b>	383,730
Selling and distribution costs	<b>3,468,013</b>	3,036,239
Administrative expenses	<b>799,335</b>	618,287
Research and development costs	<b>1,456,751</b>	1,109,489
Finance expenses	<b>752,215</b>	417,058
Impairment losses	<b>1,436,623</b>	943,466
Add: Gains/(losses) from changes in fair values	<b>11,659</b>	(37,898)
Investment income	<b>1,171,274</b>	1,472,184
Including: Share of losses of associates and joint ventures	<b>(35,426)</b>	(34,282)
<b>Operating loss</b>	<b>(205,069)</b>	(604,856)
Add: Non-operating income	<b>624,991</b>	340,246
Less: Non-operating expenses	<b>70,646</b>	21,781
Including: losses on disposal of non-current assets	<b>5,259</b>	9,369
<b>Total profit/(loss)</b>	<b>349,276</b>	(286,391)
Less: Income tax	<b>(36,145)</b>	(44,261)
<b>Net profit/(loss)</b>	<b>385,421</b>	(242,130)
Ordinary equity holders	<b>204,668</b>	(242,130)
Perpetual capital instruments	<b>180,753</b>	—
<b>Other comprehensive income, net of tax</b>		
Other comprehensive income that cannot be reclassified to profit or loss in subsequent accounting periods		
Change in net liabilities arising from the re-measurement of defined benefit plans	—	—
Other comprehensive income that will be reclassified to profit or loss in subsequent accounting periods		
Exchange differences on translation of foreign operations	<b>(112)</b>	753
Other comprehensive income, net of income tax effect on respective items	<b>(112)</b>	753
<b>Total comprehensive income</b>	<b>385,309</b>	(241,377)
Ordinary equity holders	<b>204,556</b>	(241,377)
Perpetual capital instruments	<b>180,753</b>	—

# STATEMENT OF CHANGES IN EQUITY

Currency: RMB'000

Six months ended 30 June 2015 (unaudited)

	Issued capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit	Proposed final dividends	Total equity of ordinary equity holders	Other equity instruments — perpetual capital instruments	Total shareholders' equity
<b>I. Current period's opening balance</b>	3,437,541	8,740,683	720,953	1,107,256	843,603	687,508	15,537,544	—	15,537,544
<b>II. Changes during the period</b>									
(I) Net profit	—	—	—	—	204,668	—	204,668	180,753	385,421
(II) Other comprehensive income	—	—	(112)	—	—	—	(112)	—	(112)
Total comprehensive income	—	—	(112)	—	204,668	—	204,556	180,753	385,309
(III) Shareholder's capital injection and capital reduction									
1. Capital injection from shareholders	—	—	—	—	—	—	—	—	—
2. Capital injection by other equity instrument holders	—	—	—	—	—	—	—	7,415,500	7,415,500
3. Equity-settled share option expense	—	89,121	—	—	—	—	89,121	—	89,121
(IV) Profit appropriation									
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—	—	—
3. Proposed final dividends	—	—	—	—	—	—	—	—	—
<b>III. Current period's closing balance</b>	<b>3,437,541</b>	<b>8,829,804</b>	<b>720,841</b>	<b>1,107,256</b>	<b>1,048,271</b>	<b>687,508</b>	<b>15,831,221</b>	<b>7,596,253</b>	<b>23,427,474</b>

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)**
*Currency: RMB'000*

	Six months ended 30 June 2014 (unaudited)						
	(Restated)						
	Issued capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit/(losses not made up for)	Proposed final dividends	Total shareholders' equity
<b>I. Current period's opening balance</b>	3,437,541	8,561,630	736,957	951,439	128,756	103,126	13,919,449
<b>II. Changes during the period</b>							
(I) Net loss	—	—	—	—	(242,130)	—	(242,130)
(II) Other comprehensive income	—	—	753	—	—	—	753
Total comprehensive income	—	—	753	—	(242,130)	—	(241,377)
(III) Shareholder's capital injection and capital reduction							
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Equity-settled share option expense	—	89,120	—	—	—	—	89,120
(IV) Profit appropriation							
1. Appropriation to surplus reserve	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—
3. Proposed final dividends	—	—	—	—	—	—	—
<b>III. Current period's closing balance</b>	<b>3,437,541</b>	<b>8,650,750</b>	<b>737,710</b>	<b>951,439</b>	<b>(113,374)</b>	<b>103,126</b>	<b>13,767,192</b>



## CASH FLOW STATEMENT

*Currency: RMB'000*

	<b>Six months ended 30 June 2015 (unaudited)</b>	Six months ended 30 June 2014 (unaudited)
<b>I. Cash flows from operating activities</b>		
Cash received from sale of goods or rendering of services	49,590,344	36,099,764
Refunds of taxes	1,996,750	1,885,621
Cash received relating to other operating activities	686,153	598,013
<b>Sub-total of cash inflows</b>	<b>52,273,247</b>	38,583,398
Cash paid for goods and services	45,376,455	34,183,700
Cash paid to and on behalf of employees	2,671,191	1,899,459
Cash paid for various types of taxes	702,106	416,839
Cash paid relating to other operating activities	2,832,110	2,737,826
<b>Sub-total of cash outflows</b>	<b>51,581,862</b>	39,237,824
<b>Net cash flows from/(used in) operating activities</b>	<b>691,385</b>	(654,426)
<b>II. Cash flows from investing activities</b>		
Cash received from sale of investments	45,474	21,300
Cash received from return on investments	96,781	38,079
Net cash received from the disposal of property, plant and equipment, intangible assets and other long-term assets	8,165	9,313
Net cash received from the disposal of subsidiaries	126	1,343
<b>Sub-total of cash inflows</b>	<b>150,546</b>	70,035
Cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets	355,356	326,771
Cash paid for acquisition of investments	72,288	1,292
<b>Sub-total of cash outflows</b>	<b>427,644</b>	328,063
<b>Net cash flows used in investing activities</b>	<b>(277,098)</b>	(258,028)

**CASH FLOW STATEMENT (CONTINUED)***Currency: RMB'000*

	<b>Six months ended 30 June 2015 (unaudited)</b>	Six months ended 30 June 2014 (unaudited)
<b>III. Cash flows from financing activities</b>		
Cash received from the issuance of perpetual capital instruments	<b>7,415,500</b>	—
Cash received from borrowings	<b>5,140,138</b>	6,006,450
<b>Sub-total of cash inflows</b>	<b>12,555,638</b>	6,006,450
Cash repayment of borrowings	<b>12,607,186</b>	9,153,276
Cash payments for distribution of dividends, profits and for interest expenses	<b>619,638</b>	625,993
<b>Sub-total of cash outflows</b>	<b>13,226,824</b>	9,779,269
<b>Net cash flows used in financing activities</b>	<b>(671,186)</b>	(3,772,819)
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(116,941)</b>	71,545
<b>V. Net increase in cash and cash equivalents</b>	<b>(373,840)</b>	(4,613,728)
Add: cash and cash equivalents at the beginning of period	<b>9,715,869</b>	11,756,439
<b>VI. Net balance of cash and cash equivalents at the end of period</b>	<b>9,342,029</b>	7,142,711

**APPENDIX II : FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH HKFRSs  
(UNAUDITED) AND NOTES THERETO**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>(Prepared under HKAS 34)</b>	
	<b>Six months ended</b>	
	<b>30 June 2015</b>	
	<b>Six months</b>	<b>Six months</b>
	<b>ended</b>	<b>ended</b>
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>REVENUE</b>	<b>45,898,788</b>	37,697,309
Cost of sales	<b>(32,088,400)</b>	(26,576,161)
	<hr/>	<hr/>
Gross profit	<b>13,810,388</b>	11,121,148
Other income and gains	<b>2,840,276</b>	2,444,284
Research and development costs	<b>(5,491,912)</b>	(4,126,546)
Selling and distribution expenses	<b>(5,406,796)</b>	(4,806,361)
Administrative expenses	<b>(1,243,793)</b>	(1,142,763)
Other expenses	<b>(1,635,567)</b>	(1,051,579)
Finance costs	<b>(692,097)</b>	(753,749)
Share of profits and losses of:		
Joint ventures	<b>294</b>	(667)
Associates	<b>(38,405)</b>	(39,781)
	<hr/>	<hr/>
<b>PROFIT BEFORE TAX</b>	<b>2,142,388</b>	1,643,986
Income tax expense	<b>(310,202)</b>	(472,675)
	<hr/>	<hr/>
<b>PROFIT FOR THE PERIOD</b>	<b>1,832,186</b>	1,171,311
	<hr/>	<hr/>
<b>Attributable to:</b>		
Ordinary equity holders of the parent	<b>1,615,585</b>	1,128,206
Perpetual capital instruments	<b>180,753</b>	—
Non-controlling interests	<b>35,848</b>	43,105
	<hr/>	<hr/>
	<b>1,832,186</b>	1,171,311
	<hr/>	<hr/>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>		
Basic	<b>RMB0.47</b>	RMB0.33
	<hr/>	<hr/>
Diluted	<b>RMB0.46</b>	RMB0.33
	<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

(Prepared under HKAS 34)

Six months ended

30 June 2015

Six months ended 30 June 2015 (unaudited) RMB'000	Six months ended 30 June 2014 (unaudited) RMB'000
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**OTHER COMPREHENSIVE INCOME**

Cash flow hedges — effective portion of changes in fair value of hedging instruments arising during the period

917 848

Changes in fair value of available-for-sale investments

542,186 (132,607)

Exchange differences on translation of foreign operations

16,470 130,301

**OTHER COMPREHENSIVE INCOME/(LOSS)**

**FOR THE PERIOD,**

**NET OF TAX**

559,573 (1,458)

**TOTAL COMPREHENSIVE INCOME**

2,391,759 1,169,853

**Attributable to:**

Ordinary equity holders of the parent

1,763,173 1,127,355

Perpetual capital instruments

180,753 —

Non-controlling interests

447,833 42,498

2,391,759 1,169,853

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared under HKAS 34)

30 June 2015

	30 June 2015 (unaudited) <i>RMB'000</i>	31 December 2014 (audited) <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7,784,745	7,664,442
Prepaid land lease payments	1,070,558	1,082,208
Intangible assets	4,129,937	3,741,514
Investment properties	2,069,146	2,004,465
Investments in joint ventures	128,659	67,607
Investments in associates	358,171	393,709
Available-for-sale investments	2,195,085	1,739,664
Long-term trade receivables	342,111	266,501
Factored long-term trade receivables	1,522,368	1,701,978
Deferred tax assets	1,429,882	1,284,493
Pledged deposits	3,675,903	3,744,472
Long-term prepayments, deposits and other receivables	235,414	273,158
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>24,941,979</b>	<b>23,964,211</b>
<b>CURRENT ASSETS</b>		
Prepaid land lease payments	24,478	24,478
Inventories	21,618,152	19,592,298
Amount due from customers for contract works	12,670,977	11,033,468
Trade and bills receivables	29,902,242	27,239,734
Factored trade receivables	2,204,311	3,160,705
Prepayments, deposits and other receivables	8,279,672	6,882,868
Derivative financial instruments	79,640	240,973
Pledged deposits	881,844	718,306
Time deposits with original maturity of over three months	249,019	167,428
Cash and cash equivalents	17,317,542	17,230,140
	<hr/>	<hr/>
<b>Total current assets</b>	<b>93,227,877</b>	<b>86,290,398</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

(Prepared under HKAS 34)

30 June 2015

	30 June 2015 (unaudited) <i>RMB'000</i>	31 December 2014 (audited) <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	32,746,625	29,626,088
Amount due to customers for contract works	4,911,812	3,825,106
Other payables and accruals	17,659,834	15,598,327
Derivative financial instruments	17,130	70,604
Interest-bearing bank borrowings	10,815,643	11,041,149
Bank advances on factored trade receivables	2,215,181	3,175,432
Tax payable	358,139	489,141
Dividends payable	8,113	8,113
Bond payable	—	6,131,185
<b>Total current liabilities</b>	<u>68,732,477</u>	<u>69,965,145</u>
<b>NET CURRENT ASSETS</b>	<u>24,495,400</u>	<u>16,325,253</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>49,437,379</u>	<u>40,289,464</u>
<b>NON-CURRENT LIABILITIES</b>		
Derivative financial instruments	399	881
Interest-bearing bank borrowings	9,550,012	10,039,687
Bank advances on factored long-term trade receivables	1,522,368	1,701,978
Deferred tax liabilities	3,689	3,689
Financial guarantee contract	173,176	159,340
Provision for retirement benefits	114,660	115,450
Other non-current liabilities	1,917,402	1,975,935
<b>Total non-current liabilities</b>	<u>13,281,706</u>	<u>13,996,960</u>
<b>Net assets</b>	<u><u>36,155,673</u></u>	<u><u>26,292,504</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)****(Prepared under HKAS 34)****30 June 2015**

	<b>30 June 2015</b>	<b>31 December 2014</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>		
<b>Equity attributable to ordinary equity holders of the parent</b>		
Issued capital	<b>3,437,541</b>	3,437,541
Reserves	<b>22,604,171</b>	20,753,525
Proposed final dividends	<b>687,508</b>	687,508
	<hr/>	<hr/>
	<b>26,729,220</b>	24,878,574
<b>Perpetual capital instruments</b>	<b>7,596,253</b>	—
<b>Non-controlling interests</b>	<b>1,830,200</b>	1,413,930
	<hr/>	<hr/>
<b>Total equity</b>	<b>36,155,673</b>	26,292,504
	<hr/> <hr/>	<hr/> <hr/>

**Hou Weigui**  
*Director*

**Shi Lirong**  
*Director*

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

### **1.1 Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with HKAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

### **1.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

#### ***Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions***

HKAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

#### ***Annual Improvements 2010–2012 Cycle***

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

#### ***HKFRS 2 Share-based Payment***

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group



- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

#### *HKFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 (or HKAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

#### *HKFRS 8 Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in HKFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 3 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of his decision making.

#### *HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in HKAS 16 and HKAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

#### *HKAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

### *Annual Improvements 2011–2013 Cycle*

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

#### *HKFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within HKFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of HKFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Company is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

#### *HKFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 (or HKAS 39, as applicable). The Group does not apply the portfolio exception in HKFRS 13.

#### *HKAS 40 Investment Property*

The description of ancillary services in HKAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that HKFRS 3, and not the description of ancillary services in HKAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on HKFRS 3, not HKAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

## 2. OPERATING SEGMENT INFORMATION

	Networks (communication systems) <i>RMB'000</i>	Handset Terminals <i>RMB'000</i>	Telecommunications software systems, services and other products <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended 30 June 2015</b>				
<b>Segment revenue:</b>				
Telecommunications system contracts	28,513,830	—	7,406,393	35,920,223
Sale of goods and services	—	9,959,487	19,078	9,978,565
	<u>28,513,830</u>	<u>9,959,487</u>	<u>7,425,471</u>	<u>45,898,788</u>
<b>Segment results</b>	<b>7,392,534</b>	<b>231,082</b>	<b>1,669,430</b>	<b>9,293,046</b>
Bank and other interest income				298,730
Dividend income and unallocated gains				2,541,546
Unallocated expenses				(9,260,726)
Finance costs				(692,097)
Share of profits and losses of: Joint Ventures				294
Associates				(38,405)
<b>Profit before tax</b>				<u><b>2,142,388</b></u>
<b>30 June 2015</b>				
<b>Segment assets</b>	<b>45,287,295</b>	<b>11,179,309</b>	<b>11,793,557</b>	<b>68,260,161</b>
Investment in joint ventures				128,659
Investment in associates				358,171
Unallocated assets				49,422,865
Total assets				<u>118,169,856</u>
<b>Segment liabilities</b>	<b>9,781,349</b>	<b>1,019,582</b>	<b>2,547,225</b>	<b>13,348,156</b>
Unallocated liabilities				68,666,027
Total liabilities				<u>82,014,183</u>
<b>Six months ended 30 June 2015</b>				
<b>Other segment information:</b>				
Provision for asset impairment	1,169,226	408,394	304,486	1,882,106
Depreciation and amortisation	604,425	211,117	157,402	972,944
Capital expenditure	958,145	334,667	249,517	1,542,329

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

	Networks (communication systems) <i>RMB'000</i>	Handset Terminals <i>RMB'000</i>	Telecommunications software systems, services and other products <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended 30 June 2014</b>				
<b>Segment revenue:</b>				
Telecommunications system contracts	21,835,700	—	5,436,938	27,272,638
Sale of goods and services	—	10,406,174	18,497	10,424,671
	<u>21,835,700</u>	<u>10,406,174</u>	<u>5,455,435</u>	<u>37,697,309</u>
<b>Segment results</b>	5,307,362	163,021	1,303,472	6,773,855
Band and other interest income				253,587
Dividend income and unallocated gains				2,190,697
Unallocated expenses				(6,779,956)
Finance costs				(753,749)
Share of profits and losses of: Joint Ventures				(667)
Associates				(39,781)
<b>Profit before tax</b>				<u>1,643,986</u>
<b>31 December 2014</b>				
<b>Segment assets</b>	36,161,825	17,874,444	8,958,415	62,994,684
Investment in joint ventures				67,607
Investment in associates				393,709
Unallocated assets				46,798,609
Total assets				<u>110,254,609</u>
<b>Segment liabilities</b>	8,866,579	938,004	2,203,453	12,008,036
Unallocated liabilities				71,954,069
Total liabilities				<u>83,962,105</u>
<b>Six months ended 30 June 2014</b>				
<b>Other segment information:</b>				
Provision for asset impairment	661,486	315,243	165,266	1,141,995
Depreciation and amortisation	517,946	246,836	129,404	894,186
Capital expenditure	895,104	426,577	223,633	1,545,314

## 2. OPERATING SEGMENT INFORMATION (CONTINUED)

### Geographical analysis

The three operating segments of the Group are mainly operated in the PRC, other Asian regions and Africa. An analysis of the Group's revenue by geographical segments for the six months ended 30 June 2015 and 2014 is set out in the following table:

	Six months ended 30 June 2015 <i>RMB'000</i>	Six months ended 30 June 2014 <i>RMB'000</i>
The PRC	24,360,835	19,259,606
Asia (excluding the PRC)	7,197,236	5,867,677
Africa	3,207,354	2,210,694
Europe, Americas and Oceania	11,133,363	10,359,332
Total	<u>45,898,788</u>	<u>37,697,309</u>

## 3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the year. All significant intra-group transactions have been eliminated on consolidation.

An analysis of revenue of the Group is set out as follows:

	Six months ended 30 June 2015 <i>RMB'000</i>	Six months ended 30 June 2014 <i>RMB'000</i>
<b>Revenue</b>		
Telecommunications system contracts	35,920,223	27,272,638
Sale of goods and services	9,978,565	10,424,671
	<u>45,898,788</u>	<u>37,697,309</u>

#### 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June 2015 <i>RMB'000</i>	Six months ended 30 June 2014 <i>RMB'000</i>
Cost of goods and services	30,952,339	25,295,240
Depreciation	484,269	498,601
Amortisation of land lease payments	11,650	10,289
Amortisation of intangible assets other than deferred development costs	30,579	28,537
Amortisation of development expenses	446,446	356,759
Provision for bad and doubtful debts*	1,137,297	819,172
Provision for warranties**	139,495	195,170
Write-down of inventories to net realisable value**	740,045	322,823
Provision for long-term equity instrument*	4,764	—
Exchange loss	428,340	—
Loss on disposal of fixed assets*	8,850	16,214
Equity-settled share expense	89,121	89,120

\* Provision for bad and doubtful debts, provision for long-term equity instrument and loss on disposal of fixed assets are included in "Other expenses" on the face of the consolidated statement of comprehensive income.

\*\* Provision for warranties and write-down of inventories to net realisable value are included in "Cost of sales" on the face of the consolidated statement of comprehensive income.

#### 5. INCOME TAX

	Six months ended 30 June 2015 <i>RMB'000</i>	Six months ended 30 June 2014 <i>RMB'000</i>
Group:		
Current — Mainland China	317,554	390,197
Current — Overseas	124,201	90,935
Deferred	(131,553)	(8,457)
Total tax charge for the period	310,202	472,675

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the new enterprise income tax law effective from 1 January 2008, the tax rate applicable to domestic invested enterprises and foreign-invested enterprises in the PRC has been standardised at 25%.

The Company was subject to an enterprise income tax rate of 15% for the years 2014 to 2016 as a national-grade hi-tech enterprise incorporated in Shenzhen.

## 6. DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2015 (Same period in 2014: nil).

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share amount is computed by dividing the net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Calculations of basic and diluted earnings per shares were as follows:

	<b>Six months ended 30 June 2015 RMB'000</b>	Six months ended 30 June 2014 RMB'000
Earnings		
Net profit attributable to ordinary equity holders of the Company for the period	<u><b>1,615,585</b></u>	<u>1,128,206</u>
	<b>Six months ended 30 June 2015 '000 Shares</b>	Six months ended 30 June 2014 '000 Shares
Shares		
Weighted average number of ordinary shares of the Company in issue	<u><b>3,437,541</b></u>	3,437,541
Diluting effect — Share options	<u><b>44,768</b></u>	—
Adjusted weighted average number of ordinary shares of the Company in issue	<u><b>3,482,309</b></u>	<u>3,437,541</u>

## 8. TRADE AND BILLS RECEIVABLES

Progress payment for telecommunications system contracts is normally made in accordance with the agreed payment schedule. The Group's trading terms with its major customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is normally 90 days, and is extendable up to one year depending on customers' creditworthiness. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provision, is set out as follows:

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
Within 6 months	<b>23,384,551</b>	22,660,674
7 to 12 months	<b>4,635,295</b>	3,004,833
1 to 2 years	<b>1,820,962</b>	1,619,968
2 to 3 years	<b>403,545</b>	220,760
	<b>30,244,353</b>	27,506,235
Current portion of trade and bills receivables	<b>(29,902,242)</b>	(27,239,734)
Long-term portion	<b>342,111</b>	266,501

The balances due from the controlling shareholders, joint ventures, associates and other related companies included in the above are analysed as follows:

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
The controlling shareholder	<b>1,220</b>	1,096
Joint ventures	<b>224,424</b>	418,061
Associates	<b>10,799</b>	6,963
Other related companies	<b>297,759</b>	157,968
	<b>534,202</b>	584,088

The balances are unsecured, interest-free, repayable on demand and on credit terms similar to those offered to the major customers of the Group.



## 9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payable as at the balance sheet date, based on the invoice date, is set out as follows:

	<b>30 June 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	<b>32,203,429</b>	29,175,980
7 to 12 months	<b>285,449</b>	298,251
1 to 2 years	<b>106,884</b>	14,258
2 to 3 years	<b>98,036</b>	114,309
Over 3 years	<b>52,827</b>	23,290
Total	<b><u>32,746,625</u></b>	<u>29,626,088</u>

The balances due to the controlling shareholder, joint ventures, associates and other related companies included in the above are analysed as follow:

	<b>30 June 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
The controlling shareholder	<b>54,826</b>	53,879
Joint ventures	<b>2,001</b>	20,669
Associates	<b>1,319</b>	10,065
Other related companies	<b>96,931</b>	179,761
Total	<b><u>155,077</u></b>	<u>264,374</u>

The balances are unsecured, interest-free and repayable on demand.

Trade payables are non-interest-bearing and are normally settled on within 180 days.

## 10. POST-BALANCE-SHEET-DATE EVENTS

There were no events with a significant impact on the Group during the period from the close of the accounting period to the date on which the Company's financial statements were approved and authorized for publication.